

**CENTER FOR THE VISUALLY
IMPAIRED, INC.
AND SUPPORTING AFFILIATE**

FINANCIAL REPORT

JUNE 30, 2009

**CENTER FOR THE VISUALLY IMPAIRED, INC.
AND SUPPORTING AFFILIATE
FINANCIAL REPORT
JUNE 30, 2009**

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INDEPENDENT AUDITOR'S REPORT

**To the Boards of Trustees
of the Center for the Visually Impaired, Inc. and its Supporting Affiliate -
Center for the Visually Impaired Organization, Inc.**

We have audited the accompanying combined and individual statements of financial position of the **Center for the Visually Impaired, Inc. and its Supporting Affiliate (the Organization)** as of June 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined and individual financial positions of the Center for the Visually Impaired, Inc. and its Supporting Affiliate as of June 30, 2009, and the combined and individual changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009 on our consideration of the Center for the Visually Impaired, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 18, 2009

**CENTER FOR THE VISUALLY IMPAIRED, INC.
AND SUPPORTING AFFILIATE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009**

<u>Assets</u>	<u>CVI, Inc.</u>	<u>CVI Foundation Inc.</u>	<u>Combined 2009</u>
Cash and cash equivalents	\$ 1,200,315	\$ 181,393	\$ 1,381,708
Grants receivable	408,219	-	408,219
Other accounts receivable, net	15,382	23,794	39,176
Pledges receivable, net	20,000	134,000	154,000
Inventories of visual aids	133,929	-	133,929
Investments	-	5,218,267	5,218,267
Prepaid expenses	59,096	-	59,096
Property and equipment, net	7,742,817	-	7,742,817
Due (to) from affiliate	169,122	(169,122)	-
Total assets	\$ 9,748,880	\$ 5,388,332	\$ 15,137,212
<u>Liabilities and Net Assets</u>			
Liabilities:			
Accounts payable	\$ 51,161	\$ -	\$ 51,161
Accrued employee benefits	187,345	-	187,345
Other accrued expenses	29,440	5,716	35,156
Total liabilities	267,946	5,716	273,662
Net assets:			
Unrestricted	9,480,934	#VALUE!	#VALUE!
Temporarily restricted	-	#VALUE!	#VALUE!
Permanently restricted	-	#VALUE!	#VALUE!
Total net assets	9,480,934	#VALUE!	#VALUE!
Total liabilities and net assets	\$ 9,748,880	\$ #VALUE!	\$ #VALUE!

See Notes to Financial Statements.

**CENTER FOR THE VISUALLY IMPAIRED, INC.
AND SUPPORTING AFFILIATE
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>CVI, Inc.</u>	<u>CVI Foundation Inc.</u>	<u>Combined 2009</u>
Changes in unrestricted net assets:			
Support and revenue:			
Public support:			
Received directly	\$ -	\$ 396,226	\$ 396,226
Received from United Way	607,773	-	607,773
Total public support	<u>607,773</u>	<u>396,226</u>	<u>1,003,999</u>
Fees from government agencies for professional service contracts	<u>1,571,377</u>	<u>-</u>	<u>1,571,377</u>
Fees from government agencies for professional service authorization and invoices	<u>149,568</u>	<u>-</u>	<u>149,568</u>
Other revenue:			
Fees for professional services	51,376	-	51,376
Medicare, net	24,815	-	24,815
Retail store (net of cost of goods sold of \$318,189 in 2009)	59,689	-	59,689
In-kind contributions	27,539	27,685	55,224
Investment income	10,081	12,827	22,908
Other income, net	538	1,500	2,038
Total other revenue	<u>174,038</u>	<u>42,012</u>	<u>216,050</u>
Total support and revenue	<u>2,502,756</u>	<u>438,238</u>	<u>2,940,994</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	-	998,398	998,398
Transfer from CVI Foundation, Inc.	1,182,289	(990,517)	191,772
Total net assets released from restrictions	<u>1,182,289</u>	<u>7,881</u>	<u>1,190,170</u>
Total support, revenue, and net assets released from restrictions	<u>3,685,045</u>	<u>446,119</u>	<u>4,131,164</u>
Expenses:			
Program services	<u>3,491,388</u>	<u>-</u>	<u>3,491,388</u>
Supporting services:			
Management and general	651,167	43,387	694,554
Fundraising	-	441,557	441,557
Total supporting services	<u>651,167</u>	<u>484,944</u>	<u>1,136,111</u>
Total expenses	<u>4,142,555</u>	<u>484,944</u>	<u>4,627,499</u>
Decrease in unrestricted net assets	<u>(457,510)</u>	<u>(38,825)</u>	<u>(496,335)</u>

See Notes to Financial Statements.

**CENTER FOR THE VISUALLY IMPAIRED, INC.
AND SUPPORTING AFFILIATE
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>CVI, Inc.</u>	<u>CVI Foundation Inc.</u>	<u>Combined 2009</u>
Changes in temporarily restricted net assets:			
Public support	-	296,329	296,329
Investment income	-	214,394	214,394
Realized (loss) on sale of investments	-	(247,238)	(247,238)
Unrealized (loss) gain on investments	-	(1,199,337)	(1,199,337)
Satisfaction of program restrictions	-	(998,398)	(998,398)
Transfer from CVI Foundation, Inc.	-	(191,772)	(191,772)
	<hr/>	<hr/>	<hr/>
(Decrease) increase in temporarily restricted net assets	-	(2,126,022)	(2,126,022)
Changes in permanently restricted net assets:			
Contributions	-	603	603
	<hr/>	<hr/>	<hr/>
Increase in permanently restricted net assets	-	603	603
Decrease in net assets	(457,510)	(2,164,244)	(2,621,754)
Net assets at beginning of year, as restated	9,938,444	7,546,860	17,485,304
	<hr/>	<hr/>	<hr/>
Net assets at end of year	<u>\$ 9,480,934</u>	<u>\$ 5,382,616</u>	<u>\$ 14,863,550</u>

See Notes to Financial Statements.

**CENTER FOR THE VISUALLY IMPAIRED, INC.
AND SUPPORTING AFFILIATE
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009**

	Supporting Services		Supporting Services		Total CVI, Inc.	Supporting Services		Total CVI Foundation Inc.	Combined 2009
	Total Program Services	Management and General	Management and General	Fund- Raising		Management and General	Fund- Raising		
Salaries and wages	\$ 2,109,605	\$ 388,966	\$ -	\$ 263,720	\$ 2,498,571	\$ -	\$ 263,720	\$ 2,762,291	\$ 2,762,291
Client stipends	14,028	-	-	-	14,028	-	-	-	14,028
Employee benefits	270,619	42,368	-	35,223	312,987	-	35,223	352,210	348,210
Payroll taxes	159,601	29,368	-	19,960	188,969	-	19,960	199,960	208,929
Total salaries and related expenses	2,553,853	460,702	-	318,903	3,014,555	-	318,903	3,333,458	3,333,458
Professional fees	91,538	15,786	43,387	-	107,324	-	-	43,387	150,711
Supplies	42,373	6,550	-	1,524	48,923	-	1,524	1,524	50,447
Telephone	26,652	7,527	-	-	34,179	-	-	-	34,179
Postage and shipping	18,613	3,773	-	6,005	22,386	-	6,005	6,005	28,391
Occupancy	169,244	20,569	-	-	189,813	-	-	-	189,813
Printing	12,241	19,818	-	31,745	32,059	-	31,745	31,745	63,804
Staff transportation	25,698	1,064	-	272	26,762	-	272	272	27,034
Client transportation	111,482	39	-	-	111,521	-	-	-	111,521
Conferences	15,475	7,198	-	4,317	22,673	-	4,317	4,317	26,990
Internal meetings	3,462	21,876	-	3,539	25,338	-	3,539	3,539	28,877
Entertainment and meals	2,107	3,035	-	903	5,142	-	903	903	6,045
Dues and subscriptions	3,957	14,478	-	600	18,435	-	600	600	19,035
Client activities	40,689	12	-	-	40,701	-	-	-	40,701
Equipment maintenance	11,640	1,098	-	481	12,738	-	481	481	13,219
Noncapitalized equipment	15,779	2,283	-	236	18,062	-	236	236	18,298
Software and computer	61,486	9,754	-	3,331	71,240	-	3,331	3,331	74,571
Bad debt expense	6,726	1	-	1,600	6,727	-	1,600	1,600	8,327
Special events	-	-	-	66,245	-	-	66,245	66,245	66,245
Marketing	11,242	2,345	-	550	13,587	-	550	550	14,137
Other expense	12,312	21,766	-	1,306	34,078	-	1,306	1,306	35,384
Total expenses before depreciation	3,236,569	619,674	43,387	441,557	3,856,243	43,387	441,557	4,341,187	4,341,187
Depreciation	254,819	31,493	-	-	286,312	-	-	-	286,312
Total expenses	\$ 3,491,388	\$ 651,167	\$ 43,387	\$ 441,557	\$ 4,142,555	\$ 43,387	\$ 441,557	\$ 4,627,499	\$ 4,627,499

See Notes to Financial Statements.

**CENTER FOR THE VISUALLY IMPAIRED, INC.
AND SUPPORTING AFFILIATE
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>CVI, Inc.</u>	<u>CVI Foundation Inc.</u>	<u>Combined 2009</u>
Cash flows from operating activities:			
Decrease in net assets	\$ (457,510)	\$ (2,164,244)	\$ (2,621,754)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:			
Depreciation	286,312	-	286,312
Realized loss on sale of investments	-	247,238	247,238
Unrealized loss on investments	-	1,199,337	1,199,337
Changes in assets and liabilities:			
(Increase) decrease in:			
Grants receivable	(85,711)	-	(85,711)
Pledges	42,525	(134,000)	(91,475)
Other accounts receivable	(4,408)	248,346	243,938
Inventories of visual aids	21,806	-	21,806
Prepaid expenses	(33,209)	-	(33,209)
Due (to) from affiliate	317,413	(317,413)	-
(Decrease) in:			
Accounts payables	(27,026)	-	(27,026)
Accrued expenses and other liabilities	(43,726)	(2,647)	(46,373)
Total adjustments	<u>473,976</u>	<u>1,240,861</u>	<u>1,714,837</u>
Net cash provided by (used in) operating activities	<u>16,466</u>	<u>(923,383)</u>	<u>(906,917)</u>
Cash flows from investing activities:			
Purchase of property and equipment	(17,740)	-	(17,740)
Purchase of investments	-	(865,876)	(865,876)
Proceeds from the sale of investments	<u>-</u>	<u>1,089,509</u>	<u>1,089,509</u>
Net cash (used in) provided by investing activities	<u>(17,740)</u>	<u>223,633</u>	<u>205,893</u>
Net decrease in cash and cash equivalents	(1,274)	(699,750)	(701,024)
Cash and cash equivalents at beginning of year	<u>1,201,589</u>	<u>881,143</u>	<u>2,082,732</u>
Cash and cash equivalents at end of year	<u>\$ 1,200,315</u>	<u>\$ 181,393</u>	<u>\$ 1,381,708</u>

See Notes to Financial Statements.

**CENTER FOR THE VISUALLY IMPAIRED, INC.
AND SUPPORTING AFFILIATE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. NATURE OF ORGANIZATIONS AND SIGNIFICANT ACCOUNTING POLICIES

The Organizations

The Center for the Visually Impaired, Inc. (CVI) provides comprehensive vision rehabilitation services to individuals of all ages who are blind or visually impaired. Since 1962, the Center has grown to become Georgia's largest, non-profit vision rehabilitation facility, annually serving almost 5,000 individuals with impaired vision and their families through innovative services to promote "independence with dignity" at home, school, work and as active members of the community. A variety of vision rehabilitation classes, counseling and education services are offered by a staff of approximately 60 and supported by more than 400 dedicated volunteers. CVI operates VisAbility, a nonprofit retail store catering to the needs of people who have vision loss.

The combined financial statements include the accounts of CVI, Inc. and its supporting affiliate CVI Foundation, Inc. (collectively, the Organizations). The CVI Foundation, Inc. was formed in 1989 as a supporting organization for CVI, Inc. in order to manage the Center's portfolio of investments and oversee fundraising policies and procedures. In addition, the CVI Foundation, Inc. serves the role of receiving gifts on behalf of the Organization and investing them until utilized for the purpose intended by the donor.

Since the CVI Foundation Inc. was funded initially with the transfer of CVI Inc.'s endowment funds and since there is shared control and management of these entities, it is the policy of the Organizations to present combined financial statements.

Economic Dependence

During the year ended June 30, 2009, CVI received approximately 59% of its total support and revenue from government agencies. Additionally, CVI received approximately 21% of its total support and revenue for the year ended June 30, 2009 from United Way. Although CVI relies on these contracts for support and revenues, the mix of funding sources and the number of contracts does reduce the risk of economic dependence on one contract.

Basis of Accounting

The accompanying combined and individual financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the Organizations are required to report information regarding their financial position and activities according to three categories of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Effective July 1, 2008, the Organization adopted FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds*. See note 7 for discussion on endowment accounting.

Principles of Combination

The combined financial statements include the accounts of CVI Inc., and CVI Foundation, Inc. All material related party balances and transactions have been eliminated in combination.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

The Organizations account for contributions in accordance with the recommendations of the Financial Accounting Standards Board in its SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Assets

Non-cash contributions of marketable securities or other assets are recorded at fair market value on the date of receipt.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organizations report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organizations. Volunteers provide a significant amount of services to the Organizations throughout the year that are not recognized as contributions since the recognition criteria under SFAS No. 116 were not met.

Promises to Give

Unconditional promises to give are recognized as support in the period in which the promise is made by the donor. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable account. Changes in the valuation allowance have not been material to the financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables (Continued)

Grants receivable consist of amounts due to CVI in connection with various Georgia Departments of Human Resources and Labor contracts and a contract with the Atlanta Regional Commission.

Other accounts receivables consist of accrued interest, contributions, and outside project billings due to the Organizations.

Investments

The Organizations carry their investments in marketable mutual funds with readily determinable fair values at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. It is the policy of the CVI Organization Board of Trustees to invest in such a manner as to achieve a balanced approach.

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

The CVI Organization Board of Trustees has approved and implemented an annual spending policy related to its invested funds. The spending policy stipulates that five percent (5%) of the three-year average market value of the investment portfolio, determined at December 31st of each year, shall be available to CVI during its next fiscal year. Investment income consisting of dividends and interest (as well as any principal that may be necessary to achieve the five percent (5%) allocation) are transferred to CVI in the subsequent year. Interest, dividends, realized and unrealized gains or losses in excess of the five percent (5%) allocation are recorded as increases or decreases in the appropriate net asset class.

Inventories

Inventories consist of low vision aids and appliances. All low vision aids and appliances are sold through the Visibility store. Inventories are carried at the lower of cost or market under the average cost method, which values inventory at the weighted average of all units available for sale during the period.

Property and Equipment

The Organizations follow the practice of capitalizing all expenditures for property and equipment in excess of \$2,500; the fair value of donated property and equipment is similarly capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. These lives are estimated at three years for computer equipment and software, five years for furniture and equipment, fifteen years for building improvements, and forty years for the building. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss resulting from the disposition is reported in the statement of activities.

Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status

As provided under Internal Revenue Code Section 501(c)(3) for nonprofit organizations, CVI, Inc. and CVI Foundation, Inc. are exempt from federal income taxes related to their exempt function activities.

Fair Value of Financial Instruments

Effective July 1, 2008, the Organization adopted SFAS No. 157, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles. SFAS No. 157 applies to all financial instruments that are being measured and reported on a fair value basis. Implementation of SFAS No. 157 had no effect on assets, net assets or changes in net assets as of June 30, 2009 or for the year then ended.

As defined in SFAS No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the assets or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

For the fiscal year ended June 30, 2009, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers.

If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of these instruments.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Income taxes

The FASB has issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No.109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken on a tax return. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Organization qualifies as a charitable organization as defined by Internal Revenue Code Section 501(c)(3) and, accordingly is exempt from federal income taxes under Internal Revenue Code Section 501(a). The Organization presently recognizes income tax positions based on management’s estimate of whether it is reasonably possible that a liability has been incurred for unrecognized income tax benefits by applying SFAS No. 5, *Accounting for Contingencies*. SFAS No. 5 requires the Organization to accrue for losses it believes are probable and can be reasonably estimated. While management has not yet completed its analysis, it does not anticipate that the adoption of FIN 48 will have a material impact on its financial position or results of operations.

The Organization has elected to defer the application of FIN 48 in accordance with FASB Staff Position (“FSP”) FIN 48-3. This FSP defers the effective date of FIN 48 for certain nonpublic enterprises to the annual financial statements for fiscal years beginning after December 15, 2008. The Organization will be required to adopt FIN 48 in its financial statements for the fiscal year ending June 30, 2010. The provisions of FIN 48 are to be applied to all tax positions upon initial application of this standard. Only tax positions that meet the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized upon adoption.

The cumulative effect, if any, of applying the provisions of FIN 48 will be reported as an adjustment to the opening balance of net assets for the fiscal year of adoption. Management is currently assessing the impact of FIN 48 on its financial position and results of operations and believes that the effects will not have a material impact to the Organization.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND CASH EQUIVALENTS

The Organizations' Boards of Trustees consider all temporary cash investments, certificates of deposit, and highly liquid investments to be cash equivalents. It is the Boards' intention that the invested cash held in the portfolios of CVI Organization is a component of long-term investments. Therefore, the invested cash included in investment portfolios is not considered to be a cash equivalent.

The Organizations have balances in both deposit accounts at banks and investment money markets at brokerage firms. At June 30, 2009, the Organizations had a significant concentration of cash deposited in one financial institution. This concentration comprised approximately 78% of the cash balance at June 30, 2009. The Federal Deposit Insurance Corporation (FDIC) insures up to \$250,000 per bank or savings institution. The Securities Investor Protection Corporation (SIPC) insures up to \$500,000 (including \$100,000 for claims for cash) per brokerage firm. Cash balances at June 30, 2009, according to financial institution records, were in excess of this FDIC and SIPC insured levels by \$1,060,094.

NOTE 3. PLEDGES RECEIVABLE, NET

Unconditional promises to give at net realizable value are as follows at June 30:

Pledges:	
Receivable in less than one year	\$ 145,000
Receivable in one to five years	10,000
Total unconditional promises to give	155,000
Less allowance for uncollectible pledges receivable	(1,000)
Pledges receivable, net	\$ 154,000

NOTE 4. INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of June 30, 2009:

	Level 1	Level 2	Level 3	Total
Invested Cash	\$ 49,979	\$ -	\$ -	\$ 49,979
Equity funds	5,168,288	-	-	5,168,288
Total assets at fair value	\$ 5,218,267	\$ -	\$ -	\$ 5,218,267

Investment expenses incurred totaled \$16,262 for the year ended June 30, 2009.

Total investment return reported in the statements of activities for the year ended June 30 are as follows:

	2009	CVI, Inc.	CVI Foundation, Inc.	Total
Interest and dividends	\$	10,081	\$ 227,221	\$ 237,302
Net realized loss		-	(247,238)	(247,238)
Net unrealized loss		-	(1,199,337)	(1,199,337)
	\$	10,081	\$ (1,219,354)	\$ (1,209,273)

For the year ended June 30, 2009, administrative fees related to these investment portfolios were \$22,375, and are recorded as professional fees on the statement of functional expenses.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. PROPERTY AND EQUIPMENT, NET

Components of property and equipment consist of the following at June 30:

Land	\$ 1,025,000
Building	7,689,898
Furniture and equipment	1,007,045
	9,721,943
Less accumulated depreciation	1,979,126
	\$ 7,742,817

NOTE 6. RESTRICTED NET ASSETS

Temporary and permanently restricted net assets consist of the following at June 30:

Temporarily restricted:	
BEGIN - preschool children	\$ 38,132
STARS - school age children	33,593
Community adult services	73,913
Low vision program	23,127
VisAbility store	242,763
Adult rehabilitation	585
Client services	8,334
Career services	1,099
Volunteer services	1,705
CVI Van Operations	11,523
Development	122,122
Children's programs	1,930,298
Endowment Earnings	1,671,228
Planned giving initiative	62,599
Various others	17,263
Total temporarily restricted net assets	\$ 4,238,284
Permanently restricted:	
General programs	\$ 800,000
BEGIN - preschool children	145,000
Building maintenance	75,000
Community adult services	67,293
Internship	13,934
Total permanently restricted net assets	\$ 1,101,227

NOTES TO FINANCIAL STATEMENTS

NOTE 6. RESTRICTED NET ASSETS (Continued)

Net assets were released from donor restrictions during 2009 by incurring expenses satisfying the restricted purpose specified by donees as follows:

Purpose restrictions accomplished:

Program grants	\$	998,398
	\$	<u>998,398</u>

NOTE 7. ENDOWMENT

Interpretation of Relevant Law

In approving endowment, spending and related policies, as part of the prudent and diligent discharge of its duties, the Board of Trustees of the Organization, as authorized by the UPMIFA, has relied upon the actions, reports, information, advice and counsel taken or provided by its duly constituted committees and the duly appointed officers of the Organization and in doing so has interpreted the law to require the preservation of the historic dollar value of donor-restricted endowment funds, absent explicit donor directions to the contrary.

As a result of this interpretation, for accounting and financial statement purposes, the Organization classifies as permanently restricted net assets the historic dollar value of assets held as donor-restricted endowment, including any subsequent gifts and any accumulations to donor-restricted endowments made in accordance with the direction of the applicable gift instruments.

The portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified for accounting and financial statement purposes in accordance with requirements of the Financial Accounting Standards Board and the law.

Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. The Organization did not have any deficiencies of this nature as of June 30, 2009.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the historic dollar value of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of benchmark indexes of similar assets classes while assuming a moderate level of investment risk. The following are benchmark indexes: Lipper Blended Benchmark, the S&P 500 Index, Barclays Aggregate Bond Index, the Lipper Intermediate Investment Grade, and the 91-Day T Bill Rate.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Related to Spending Policy

The CVI Organization Board of Trustees has approved and implemented an annual spending policy related to its invested funds. The spending policy stipulates that five percent (5%) of the three-year average market value of the investment portfolio, determined at December 31st of each year, shall be available to CVI during its next fiscal year. Investment income consisting of dividends and interest (as well as any principal that may be necessary to achieve the five percent (5%) allocation) are transferred to CVI in the subsequent year. Interest, dividends, realized and unrealized gains or losses in excess of the five percent (5%) allocation are recorded as increases or decreases in the appropriate net asset class. The Organization's Board of Trustees review spending policies annually and approved distributions they deem to be prudent.

The Endowment Net Asset Composition by type of Fund for the year ended June 30, 2009 are:

Endowment Net Asset Composition by Type of Fund as of June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,671,228	\$ 1,101,229	\$ 2,772,457
Total funds	<u>\$ -</u>	<u>\$ 1,671,228</u>	<u>\$ 1,101,229</u>	<u>\$ 2,772,457</u>

The Changes in Endowment Net Asset for the year ended June 30, 2009 are:

Changes in Endowment Net Asset for the Fiscal Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 2,355,564	\$ 1,100,626	\$ 3,456,190
Investment loss:				
Investment loss	-	(684,336)	-	(684,336)
Total investment return				
Contributions	-	-	603	603
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,671,228</u>	<u>\$ 1,101,229</u>	<u>\$ 2,772,457</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. RELATED PARTY TRANSACTIONS

Due to CVI, Inc. from CVI Foundation, Inc. consists of the following at June 30:

Donations	\$ 169,122
Total	<u>\$ 169,122</u>

NOTE 9. UNITED WAY FUNDING

Revenues received from the United Way consist of funding for CVI's operating budget and special allocations as requested by CVI from time to time to meet certain nonrecurring expenses. For the year ended June 30, 2009, these revenues consist of funding for CVI's operating budget in the amount of \$607,773.

NOTE 10. RETIREMENT PLAN

All eligible employees of CVI are included in a trustee, noncontributory, defined contribution retirement plan. The plan stipulates that CVI fund an amount equal to 8% of each eligible employee's salary from July 1, 2008 through December 31, 2008. Effective January 1, 2009, the Plan changed its funded amount to 1% of each eligible employee's salary. The Plan funded 1% from January 1, 2009 through June 30, 2009. CVI's policy is to fund all retirement costs as accrued. Under this plan, employees become eligible after two years of service and are fully vested. Retirement plan expense for the years ended June 30, 2009 was \$91,071.

NOTE 11. IN-KIND CONTRIBUTIONS

CVI received recognizable contributed equipment and supplies with a fair market value of approximately \$55,224 during the year ended June 30, 2009.

NOTE 12. PRIOR PERIOD ADJUSTMENT

The CVI Foundation, Inc.'s Statement of Financial Position at June 30, 2009 has been adjusted to reclassify previously reported investment gains and losses from permanently restricted net assets to temporarily restricted net assets. These adjustments had the effect of decreasing permanently restricted net assets by \$1,985,292, and increasing temporarily restricted net assets by \$1,985,292. The CVI Foundation, Inc.'s Statement of Financial Position at June 30, 2009 has also been adjusted to reclassify previously reported investment gains and losses from unrestricted net assets to temporarily restricted net assets. These adjustments had the effect of decreasing unrestricted net assets by \$308,389 and increasing temporarily restricted net assets by \$308,389. The adjustment had no effect of the June 30, 2009 changes in net assets.

NOTE 13. SUBSEQUENT EVENTS

Financial Accounting Standards Board Statement No. 165, Subsequent Events, (FASB Statement No. 165), requires disclosure of events that occur after fiscal year-end but before financial statement issuance. Management has evaluated events occurring through December 18, 2009, and no additional disclosures are necessary.